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Saturday, September 09, 2006

Ms. Renee Orr
5 Year Program Manager
Minerals Management Service (MS-4010)
Room 3120
382 Elden St.
Herndon, VA 20170

RE: Comments on Proposed 5-Year Program for 2007-2012 and Draft EIS for the 5-Year Program for 2007-2012

Dear Ms. Orr:

The Wisconsin Fertilizer and Chemical Association (WFCA) appreciates the opportunity to comment on the proposed 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program and draft for the Environmental Impact Statement. Expanded access to our offshore resources is vitally important to American energy independence and to the American economy. In addition, this plan is critically important to U.S. agriculture.

The WFCA represents over 1800 throughout Wisconsin and the Midwest that face a looming crisis because of public policies that create demand for natural gas while restricting access to supply sources. The farm sector depends on significant use of natural gas for food processing, irrigation, crop drying, heating farm buildings and homes, crop protection chemicals, and nitrogen fertilizer production. Therefore, the Agriculture Energy Alliance has a direct and a strong interest in the development of the next offshore leasing program.

This country's energy supply shortage is harming U.S. agriculture. This is evidenced by the fact that farmers' fuel expenses for 2005 exceeded the 2004 fuel expenses by 37%, causing farmers to pay nearly \$5 billion in added energy-related expenses. Also, the unprecedented high level and volatility of natural gas prices has had a serious impact on the U.S. fertilizer industry and the American farmer. This is due to the fact that natural gas is the primary feedstock in the production of virtually all commercial nitrogen fertilizers manufactured in the United States.

Natural gas is the raw material from which nitrogen fertilizers are made and today, in the case of ammonia, natural gas accounts for over 90 percent of the total cash cost of production. Not surprisingly over this period of high prices and intense volatility, nearly 40 percent of the industry's nitrogen fertilizer capacity permanently closed between 1999 and the run-up in natural gas prices in 2005. As the U.S. nitrogen fertilizer industry is being forced to move its production offshore to other countries, a real threat to our food security has been created.

The sharp rise in natural gas prices and the resulting curtailment of U.S. fertilizer production also has had a dramatic impact on fertilizer prices throughout the marketing chain and, in particular, at the farm level. According to U.S Department of Agriculture data, the U.S. average spring price to farmers for ammonia

climbed from \$250 per ton in 2002, to approximately \$375 per ton in 2003 and 2004, to \$521 per ton in 2006. Similarly, urea prices from 2002 to 2006 climbed from \$191 per ton to \$362 per ton and UAN solutions prices from \$148 per ton to \$265 per ton. American farmers suffer every day that the natural gas supply/demand situation remains unbalanced through lack of substantive policy changes.

The U.S. government can help to relieve some of this hardship with the 2007-2012 Outer Continental Shelf leasing program. The areas identified for leasing during the 2007-2012 program, including the Central and Western Gulf of Mexico areas, the areas in Alaska - particularly the North Aleutian Basin, Beaufort Sea, and Chukchi Sea areas and the area off the Virginia coast, but the agency should include other areas as well. Our state and our country urgently need additional supplies of energy, and, since we all own the energy (i.e. natural gas and oil) that is beneath the Outer Continental Shelf, all areas of the Outer Continental Shelf should be included, particularly all the areas in the Atlantic Planning Areas and all of the 'original sale 181 area' in the Eastern and Central Gulf of Mexico Planning Areas.

The Outer Continental Shelf of the United States' lower 48 states is conservatively estimated to contain 288 trillion cubic feet of natural gas and 59 billion barrels of oil (if you include Alaska, the estimates are 420 tcf of gas and 86 billion barrels of oil). This is enough oil to produce gasoline for 132 million cars and heating oil for 54 million homes for fifteen years. It is enough oil to replace current imports from the Persian Gulf for 59 years. In addition, it is enough natural gas to heat 72 million homes for 60 years or to supply current industrial and commercial needs for 28 years or to supply current electricity generating needs for 53 years.

For decades, U.S. companies have been working to explore for and produce energy resources from our nation's Outer Continental Shelf (OCS) in an environmentally sensitive manner. As a result of new advances in the development of new technologies, the offshore oil and gas industry has an enviable environmental record. In the 2002 National Academy of Sciences Report 'Oil in the Sea III,' the report states, today, accidental spills from platforms represent less than 1 percent of petroleum inputs in U.S. waters.

The United States government should not withhold this vital resource from the American people and American agriculture. All Outer Continental Shelf areas should be included in the proposed program for the 2007-2012. In particular, please include all of the Central, Western and Eastern Gulf of Mexico Planning Areas, the Beaufort Sea, Chukchi Sea, North Aleutian Basin, and Cook Inlet Planning Areas, and all of the South Atlantic, Mid-Atlantic, and North Atlantic Planning Areas.

Thank you for allowing the opportunity to comment on the proposed program. Please consider the views expressed in this letter as you finalize the proposed program and draft Environmental Impact Statement.

Earnestly,



Mike Turner
Executive Director
Wisconsin Fertilizer and Chemical Association
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